

Exhibit No. 2Presentation for the Senate Finance and Claims Committee 3-18-11

Section B Speaking Notes

Bill No. HB2Committee MembersRep. Belcourt
Rep. EspRep. Burnett
Rep. SchmidtSen. Lewis, Vice Chair
Sen. Priest

Sen. Caferro

LFD StaffMarilyn Daumiller
Lois Steinbeck
Kris WilkinsonOBPP StaffPat Sullivan
Adam Anfinson
Bob AndersenSecretary

Miranda Keaster

Section B has only one agency – Department of Public Health and Human Services

Turn to page B-1 in the LFD narrative for a discussion of the Agency Overview.

The 2013 biennium budget for DPHHS is \$3.6 billion, which is just over 40% of the total amount appropriated in HB 2 and 25% of the general fund. The major components of the DPHHS budget support:

- o Direct services to individuals - \$3 billion or 81% of the total appropriation
- o Grants to local governments and other entities - \$121 million
- o Six state facilities - \$112 million

The single largest appropriation supports Medicaid services - \$2 billion over the biennium, including \$469 million general fund.

The 2013 biennium DPHHS appropriation funds 2,916.10 FTE. A significant portion of DPHHS employees are located in field offices throughout the state and in the six state facilities managed by the agency.

The 2013 biennium legislative appropriation is \$600 million higher than the 2011 biennium. However, the legislative appropriation is \$97 million lower than the executive budget request.

Major increases are from the 2011 biennium are:

- Medicaid services - \$315 million
- SNAP (Supplemental Nutrition Assistance program) benefits – \$215 million
- Healthy Montana Kids services for children in families with incomes above 100% of the federal poverty level - \$71 million
- LIEAP (Low-Income Energy Assistance program) - \$20 million

The legislative appropriation is \$97 million lower than the executive budget request. The most significant differences are:

- Lowering the increase in SNAP - \$35 million
- Implementing many of the proposals in the 5% reduction plans that were not included in the executive budget - over \$20 million
- Reducing the increase in LIEAP - about \$10 million
- Reducing the increase for Healthy Montana Kids - \$6 million
- Reducing eligibility for Big Sky Rx - \$5 million
- Reducing overtime, shift differential and holiday pay at the state facilities by 25% and Eliminating support for non-Department of Administration rent adjustments - \$2.0 million general fund
- Eliminating family planning services support - \$6.9 million

Monitoring – Critical Goals

Turn to pages B-3 and B-4 to read the critical goals recommended for monitoring.

The subcommittee recommended that the Legislative Finance Committee monitor:

- Implementation of broad based budget reductions and the effect on DPHHS operations
- The impact of the economy and recession on agency workloads
- The continued implementation of Healthy Montana Kids
- Implementation of components of federal health insurance reform

Due to a reorganization, the agency budget is presented in three branches, one division, and the Director's Office.

Turn to page B-16 in the HB 2 narrative for the Economic Security Services Branch.

The divisions of the Economic Security Services Branch are summarized on pages B-20 through B-35 in the HB 2 Narrative.

This branch delivers a broad range of social and public health services throughout Montana including:

- SNAP and LIEAP
- Temporary Assistance for Needy Families – TANF
- Child Care and early childhood development programs
- Foster Care and subsidized adoption including family stabilization and reunification assistance
- Child support enforcement
- Vocational rehabilitation and independent living Programs
- Montana Telecommunications Assess Program

Comparisons and Funding for the Branch

The 2013 biennium budget is \$252 million higher than the 2011 biennium budget. All but about \$200,000 of that amount is federal funding. General fund is actually lower than the 2011 biennium budget by \$1.5 million.

Major Changes

The legislature approved federal fund increases over the biennium of:

- \$215 million for SNAP benefits

- \$20 million for LIEAP benefits
- \$10 million for child care and the Child and Adult Care Food Program grant
- \$6 million total funds with \$4 million general fund for Foster Care and Subsidized Adoption

Differences from Executive Budget

The legislature reduced the executive request by:

- About \$35 million in federal SNAP funds (\$215 million was appropriated)
- About \$10 million in federal LIEAP funds (\$20 million was appropriated)
- About \$1 million for the TANF cash benefits increase (nearly \$11.0 million was appropriated)

The MTAP Fund Balance and Implementation Legislation

Please see page B-21

The projected FY 2011 ending fund balance in the MTAP account is over \$2.5 million and used in two ways:

- Contingency to spend \$775,000 in FY 2013 if the federal government mandates that the states pay for new technology services that are presently covered by the National Exchange Carrier Association (NECA)
- Bill request to transfer about \$2 million to the general fund

Addressing the TANF Block Grant

A Transfer - Page B-23, Paragraph 3

There are three policy actions with respect to the TANF block grant:

- A one-time-only appropriation to the Early Childhood Services Bureau to free up general fund of \$2.6 million
- A transfer of the freed up general fund to the Disability Services Division
- A bill request to allow DPHHS to include general fund in the 2015 biennium base budget in place the amount of federal TANF funds expended

Adjustments – The legislature also approved funding adjustments in the federal TANF block grant as well as the TANF General Fund. These small adjustments can be seen on Page B-24, Paragraphs 1 and 5

Turn to page B-35 of the HB 2 narrative for the Director's Office.

Primary Functions – Provides overall policy development and administrative guidance for the department.

Comparisons and Funding – The 2013 biennium budget is lower than the 2011 biennium due to adjustments for department termination costs.

Major Changes – Only changes in the budget were inclusion of the state and federal special revenues associated with the executive reductions in the budget.

Turn to page B-38 of the HB 2 narrative for the Operations Branch.

Primary Functions of the Branch

The Operations Services Branch provides:

- Management and fair hearings
- Business and financial services
- Quality assurance services
- Technology services

Comparisons and Funding

The 2013 biennium budget is \$2 million higher than the 2011 biennium budget. General fund is higher than the 2011 biennium budget by only \$63,000.

Major Changes and Differences from Executive Budget

The only major changes are from:

- Reductions to the Governor's budget of nearly \$800,000 general fund over the biennium through adoption of the 5% items submitted by the divisions

Major Legislative Initiatives/Implementation Legislation – Pages B-39 and 40

Contingent Language Appropriation

The legislature also approved a contingent language appropriation that allows the Quality Assurance Division to procure a contractor to identify and recover Medicaid funds as required by the federal Affordable Care Act's strategy to address waste, fraud and abuse in the health care system. The contractor would be paid on a contingent fee basis at a maximum rate of 12.5% of gross recoveries from collected Medicaid provider overpayments. The Center for Medicare and Medicaid Services (CMS) must be reimbursed the FMAP share of net recoveries after the contingent fee to the contractor has been paid.

Turn to page B-51 of the HB 2 narrative for the Public Health and Safety Division.

Primary Functions: Provides wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through contracts with private and public providers, including local and tribal health departments, clinics, hospitals, and other community-based organizations.

Comparisons and Funding

The 2013 biennium budget is \$25 million total funds lower than the 2011 biennium budget, including about \$1 million less general fund, \$15 million less state special revenues, and \$8 million less federal special revenues. The major changes are elimination of:

- The Montana Tobacco Use Prevention Program, \$15 million in state special revenue
- General fund support for contraceptives - \$1 million
- Additional funds for Women Infants and Children (WIC) infrastructure and reporting - \$600,000 federal funds
- Federal family planning grants to non-profits and county health departments - \$4.7 million

Major Legislative Initiatives/Implementation Legislation

Reduced tobacco settlement revenues to the tobacco cessation and prevention state special revenue fund from 32% to 13.9% and increased tobacco settlement revenues to the CHIP/MCHA fund from 17% to 35.1%.

Turn to page B-56 of the HB 2 narrative for a discussion of the Medicaid and Health Services Branch.

The primary functions of the branch are:

- Medicaid services
- Healthy Montana Kids
- Six state facilities: Montana State Hospital, Montana Developmental Center, Montana Chemical Dependency Center, Montana Mental Health Nursing Care Center, Montana Veterans' Home and Eastern Montana Veterans' Home
- Community services for aged, blind, and disabled persons, including adult protective services.
- Big Sky Rx – Part D prescription drug premium assistance for Medicare eligible persons

The 2013 biennium branch budget supports 1,277.33 FTE or about 40% of the department wide total. Most of the FTE are employed by the six state facilities.

Comparisons and Funding

The legislative appropriation for the Medicaid and Health Services branch 2013 biennium budget:

- Totals \$2.5 billion - nearly 70% of the total DPHHS appropriation
- Is \$372 million higher than the 2011 biennium budget, but \$22 million total funds (including \$15 million general fund) lower than the executive budget request
- Is largely driven by Medicaid services costs, which
 - Total \$2 billion and
 - Account for \$315 million of the difference from the 2011 biennium

Major Changes

The most significant change between the 2011 and 2013 biennium budgets is for benefits and claims or services to individuals who meet specific eligibility criteria. It grows \$375 million between biennia. Reductions in personal services and operating costs offset increases in grant and benefits and claims appropriations.

Major changes are increases in:

- Medicaid services costs - \$315 million, including \$148 million general fund
- Healthy Montana Kids enrollment and service utilization growth for children in families with incomes above 100% of the federal poverty level - \$66 million

Differences from Executive Budget

The legislative appropriation for the Medicaid and Health Services branch is about \$22 million total funds (including \$15 million general fund) lower than the executive budget request. The legislature added funds above the executive request in some areas and made reductions in others. The major changes made by the legislature include:

- Funding for additional Medicaid services costs based on updated estimates in February - \$41 million total funds, including \$14 million general fund
- Shifting \$14 million of general fund state Medicaid match for Healthy Montana Kids to state special revenue (tobacco settlement funds and Healthy Montana Kids funds)
- Adopting several proposals in the 5% budget reduction plans developed in compliance with 17-7-111(3)(g), MCA that were not included in the executive budget request - \$7 million general fund
- Shifting \$1 million in alcohol tax revenue to offset general fund Medicaid state match and to offset community chemical dependency services cost
- Adjusting general fund appropriations for federal match rate changes and not accepting executive requests for several Medicaid cost adjustments - \$3 million general fund
- Shifting \$1 million in state special revenues in health and Medicaid initiatives funds to offset general fund for Medicaid state match for nursing home services
- Lowering financial eligibility for Big Sky Rx from 200% of the federal poverty level to 135% - \$5 million and reduction in funding for 3.50 FTE

The legislature did not approve the executive request to implement enhanced family planning Medicaid services (5.00 FTE), approved 5.00 of the 15.00 FTE requested to administer Healthy Montana Kids, and eliminated funding for 3.50 FTE for Big Sky Rx, resulting in the legislative appropriation supporting 18.50 fewer FTE than requested by the executive.

Major Legislative Initiatives/Implementation Legislation

Major legislative initiatives include:

- Restricting Medicaid funding for organ transplants for adults to procedures for a single organ transplant, which requires implementation legislation